

NEW APPLICATION

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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E-01773A-06-0064

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
ARIZONA ELECTRIC POWER COOPERATIVE,
INC. TO AMEND ITS ENVIRONMENTAL
PORTFOLIO STANDARD PLAN.

DOCKET NO. E-01773A- -

APPLICATION

The Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative"), on behalf of its five Arizona member distribution cooperatives, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative and Trico Electric Cooperative (collectively the "Distribution Cooperatives"), in support of its Application states as follows:

1. AEPCO is a non-profit generation cooperative which supplies all or most of the power and energy requirements of its Distribution Cooperatives.

2. In Decision No. 67176, the Commission approved AEPCO's application to administer on behalf of the Distribution Cooperatives an Environmental Portfolio Standard Plan called the SunWatts Plan (the "EPS Plan"). Under Decision No. 68328, dated December 7, 2005, the Commission also authorized AEPCO to file a revised EPS Plan 120 days after the EPS Rules are amended or December 31, 2006, whichever is earlier.

3. The EPS Plan currently in effect primarily uses surcharge monies and additional voluntary contributions received from the retail members of the Distribution Cooperatives to fund the Large-Scale Renewable Program and the Incentive Program. The Incentive Program

1 offers rebates of \$4.00 per watt to encourage distributed photo-voltaic systems at residential and
2 commercial locations, but the size of the PV installation under the approved EPS Plan is limited
3 to 5 kW. This Application seeks Commission approval to provide financial support for larger
4 parking-shade-mounted PV systems in the Distribution Cooperatives' service territories.

5 4. Attached as Exhibit A is an executive summary describing the amendment.
6 Briefly, AEPCO and the Distribution Cooperatives propose to fund the total costs of such PV
7 systems at schools and other government entity locations, with priority given to supporting such
8 installations at schools. The 10-20 kW systems will be located in high-traffic, high-visibility
9 areas. In addition to providing students a valuable learning experience about renewables and
10 assisting schools in controlling their energy costs, their location will also expose more of the
11 general public to the advantages of renewable projects.

12 5. Depending upon the size of the distributed PV installation, the cost is estimated to
13 be \$75,000-125,000 per site and up to 10 such projects would be supported each year. This
14 amendment to the EPS Plan would remain in effect until the Commission takes action on
15 AEPCO's revised EPS Plan.

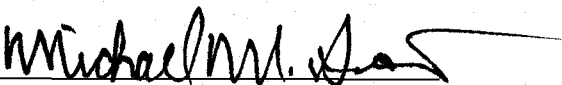
16 6. In 2003, Navopache Electric Cooperative, which is not one of AEPCO's member
17 cooperatives, completed a similar 58 kW project on a shade structure in the parking lot of the
18 Blue Ridge High School. The budget was approximately \$500,000 and included the installation
19 of computers allowing students and faculty to track the system's output.

20 WHEREFORE, having fully stated its Application, AEPCO requests that the
21 Commission issue its Order approving the amendment to the EPS Plan described in Exhibit A to
22 be effective until it takes action on a revised EPS Plan to be filed later this year.
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RESPECTFULLY SUBMITTED this 2nd day of February, 2006.

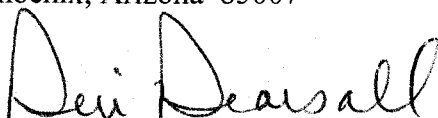
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Docket Control
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10421-38/1329279

EXHIBIT A

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.
AND ITS ARIZONA MEMBER COOPERATIVES**

**ENVIRONMENTAL PORTFOLIO STANDARD PROGRAM
- AMENDMENT -
JANUARY 23, 2006**

EXECUTIVE SUMMARY:

In October 2001, Arizona Electric Power Cooperative, Inc. (AEPCO), on behalf of its five Arizona member cooperatives, Duncan Valley Electric Cooperative, Inc. (DVEC), Graham County Electric Cooperative, Inc. (GCEC), Mohave Electric Cooperative, Inc. (MEC), Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) and Trico Electric Cooperative, Inc. (Trico), submitted to the Arizona Corporation Commission (ACC) its Environmental Portfolio Standard Plan (EPS), called the SunWatts Program.

In Decision No. 67176, the ACC authorized AEPCO to administer this EPS program on behalf of its member cooperatives. Further, the ACC granted provisional approval of the Cooperatives' SunWatts Program, which proposed funding all EPS programs through surcharge monies only. On December 7, 2005, the ACC approved the Cooperatives' request for a deadline filing extension for the Cooperatives' revised EPS Plan, which had been due December 31, 2005. Under that order, the Cooperatives will file their revised EPS Plan 120 days after the EPS Rules are amended or December 31, 2006, whichever is earlier.

The SunWatts Program currently consists of three parts: the Contribution Program, the Incentive Program and the Large-Scale Renewable Program. Under the Incentive Program, \$4.00 per watt rebates are paid to encourage distributed PV systems at commercial locations, but the size of the installation is capped at 5 kW.

In May 2005, the Cooperatives sought and received approval for an amendment to their EPS Plan. This amendment allows the Cooperatives to contribute dollars toward the purchase of photo-voltaic and other renewable energy equipment to be installed on Habitat homes in cooperative service territories.

AEPCO and the Arizona Cooperatives want to amend the EPS Plan to include a provision to allow the financing of larger parking-shade-mounted PV systems in the Cooperative service territories. This program is in addition to the other three SunWatts programs.

Proposed Change

AEPCO and the Arizona Cooperatives propose to support the installation of parking-shade-mounted photo-voltaic equipment at schools and other government entity locations throughout their service territories. Priority will be given to installations at schools.

The Cooperatives propose to fund each of these projects 100 percent through the EPS Surcharge. This benefits all taxpayers who, through their tax dollars, support schools and other local governments.

Depending on the size of the project, the budget is estimated to be \$75,000 to \$125,000 per site, including the cost of a computer to be installed for educational purposes. These projects are estimated to range in size from 10 to 20 kW. The computers will offer students a scientific learning tool to help them grasp the concepts of electricity generation, solar power and renewable energy as a whole. In addition to providing students a valuable learning experience and assisting schools in meeting and controlling their energy costs, the projects will be located in high-traffic, visible areas. This will also expose more of the general public to the advantages of such renewable projects.

Navopache Electric Cooperative in Lakeside, Ariz., which is not one of AEPCO's member cooperatives, completed a similar project in 2003. This project included the installation of a 57.9 kW system on a shade structure in the parking lot of the Blue Ridge High School. The project budget was approximately \$500,000 and included the installation of computers so that students could track the system's energy output.

This amendment would remain in place until the Commission takes action on a revised EPS plan.

CONCLUSION:

The Cooperatives seek approval to support up to 10 of these projects each year at a cost of \$75,000 to \$125,000 each. These installations could represent a total of 100 kW to 200 kW in distributed, photo-voltaic output.